



COCONINO
COUNTY ARIZONA

Strategies for Addressing the Transportation Financial Issue

***County Transportation Advisory
Committee***

November 21, 2013

Today's Excursion

- **Recap & Clarifications from the Past Meeting**
- **Current Reduced Costs & Service Levels**
- **Review Strategies for Addressing The Transportation Financial Issue:**
 - **Reduce Service Levels to Match Revenues**
 - **Develop Potential Revenue Opportunities**



County's Financial Status: Recap

Important County Financial Milestones

- Long History of Prudent Financial Management
- Established Ten Year Financial Plan - 2007
- Aligned Revenue Type with Expenditures
- Spent Only to Recessionary Revenue Level
- Paid Debt & Built Prudent Reserves
- Compensation Plan - Addressed Very High Turnover Cost >\$8 Million
- Planned for Future – FMP & IT Strategic Plan
- Continuing Development of Strategic Budgeting
- Began Considering New Revenue Sources in 2007

County's Financial History

- **County Has Taken Conservative Approach to Revenues**
- **Property Taxes Capped in 1980 When Coconino County Had One of the Lowest Overall Revenue Levels**
- **Property Tax Cap Adjusted Downward in 2006**
- **Coconino County Now Has Second Lowest Property Tax Collections**
- **State Provided Authority for ½ Cent Local Sales Tax in 1994, Which Raised \$11.7 Million Last Year, But...**
- **Over Past 13 Years the State Cut Funding & Shifted Costs Totaling \$14.6 Million**



County's Transportation Fund Status: Recap

Recap

- **Major Revenue Sources Down Dramatically**
 - **Current Funding Equivalent to 1998 Levels**
 - **Federal and State Gas Tax Rates Have Not Been Increased in Over 20 Years**
 - **Gas Tax Will Continue to Decline Over the Long Term**
 - **Secure Rural Schools & Roads Funding Ends this Year**

Recap

- **Insulating the Public: Short-Term Strategies**
 - **Salary Savings through Holding of 15% to 28.5% Vacancies (31.8 FTE's)**
 - **Deferred Equipment Replacement**
 - **Deferred Capital Investment**
- **Provided Short-Term Ability to Maintain Fund Balance but Not Sustainable At Current Service Levels**

Recap

- **Current Financial Challenge**
 - **Serious Structural Deficit is Eliminating Transportation Fund Balance**
 - **Structural Deficit for Operations
Approximately \$4.4 Million in FY-2014**
 - **Structural Deficit for Capital
Approximately \$5.9 Million in FY-2014**

The Operations and Capital Funding Gap: County, BIA and USFS Roads

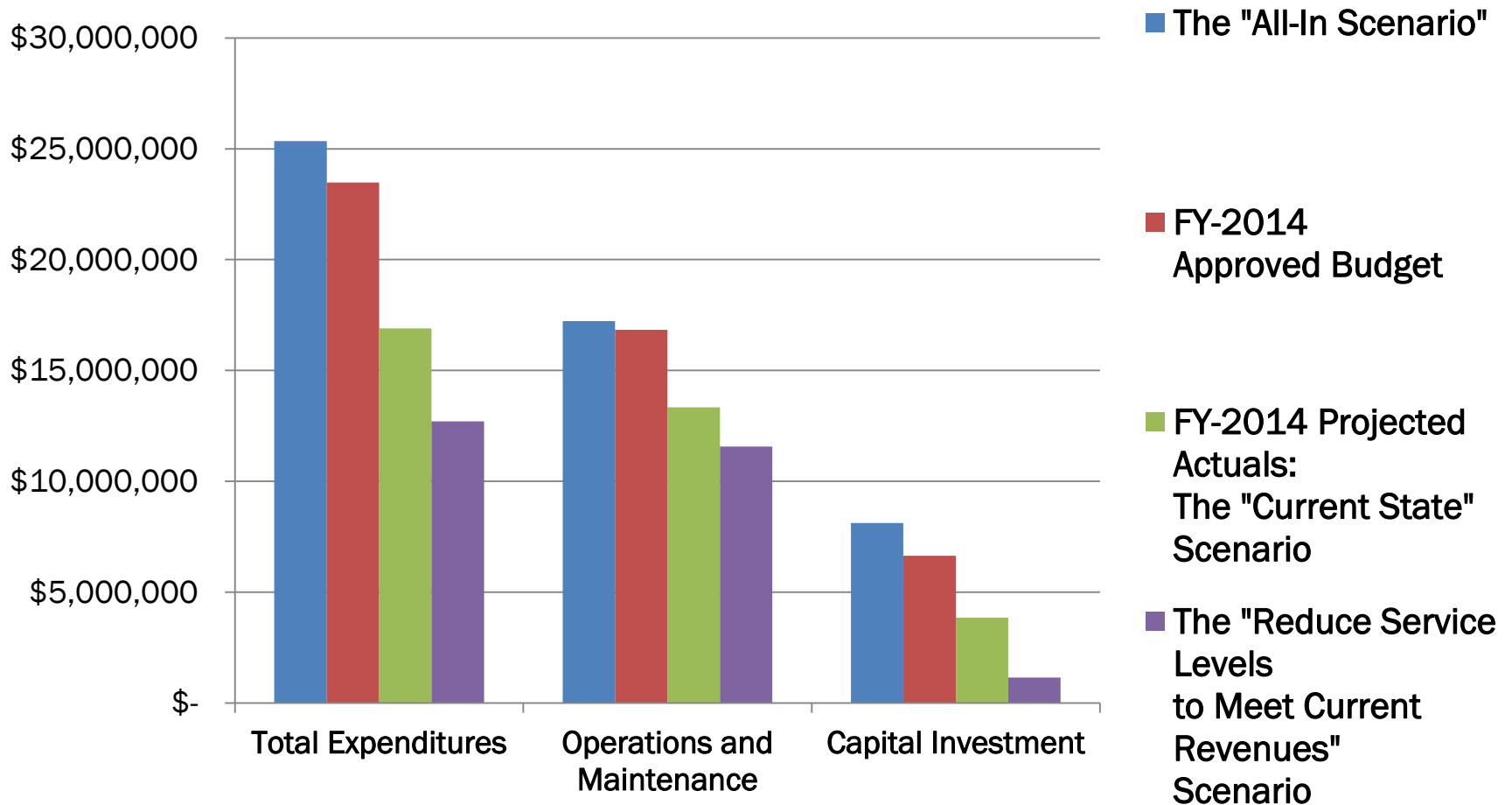
Average Annual Operations and Capital Investment Funding Gap (Projected FY-2014 through FY-2023)			
	Average Annual Operational Deficit	Average Annual Capital Investment Deficit	Average Annual Total Deficit
County Roads	\$3 Million	\$3.4 Million	\$6.4 Million
BIA Roads	\$100,000	N/A	\$100,000
US Forest Service Roads	\$3.3 Million	\$3 Million	\$6.3 Million
Total	\$6.4 Million	\$6.4 Million	\$12.8 Million

10-Year “What If?” Scenarios

- ***Four Scenarios Considered – The Outcomes:***
- **To Meet Industry Standards & Near Historic Service Levels = +/- \$12 Million/Year (Average Over Next Ten Years)**
- **Current Service Level, Operations & Capital** = +/- \$5M/Year (Average) or Creates about a \$50M Deficit**
- **35% - 40% Reduction in Service Levels to Match Current Revenues & No Capital Projects Except Those Funded by Grants**

*****Capital Investment Less Than 1% of Asset Value – Industry Standard is 4%***

Expenditure Scenario Summary



Recap - Key Takeaways

- Revenues at 1998 Level
- Rate of Cost Growth Exceeds Rate of Revenue Growth
- Completely Removing Service on Forest Service and BIA Roads Still Results in Operational and Capital Deficits
- Deficits and/or Severe Service Level Reductions Result from All Scenarios
- About 25% - 35% of Major Paved Roads are in Severe or Poor Condition



Questions & Clarifications

Current Cost Reduction and Long-Term Efficiency Improvements

Current Service Level

- **Current Service Level:**
 - **28% Vacancy Rate**
 - **Reduced Equipment Replacement Levels**
 - **Limited Capital Investment**
 - **New Snow Plan**

***Current Service Level NOT Sustainable with
Current Revenue Level***

Cost Reduction & Efficiency Improvements

- Temporary Measures Already Taken but Not Sustainable Without Major Service Level Reductions
- Longer-Term, Permanent Measures Are Being Implemented Irrespective of Overall Strategies Pursued to Address Financial Issue
- However, Longer-Term Measures Do Not Address the Overall Financial Issue

Temporary Cost Reduction Measures

- Insulating the Public Through Temporary Reduction Measures Since Onset of the Great Recession (Approximately FY 2009)
 - Hold 15% to 30% Vacancy Rate (Salary Savings)
 - Defer Equipment Replacement
 - Defer Capital Investments
- Operational Expenses Peaked in FY 2008 at \$12.6 Million
- Reduced to **\$10.9 Million by FY 2012**

Long-Term Cost Reduction & Efficiency Improvements

- Long-Term Permanent Efficiency Strategies Being Implemented:
 - Extending Equipment Replacement Life Cycle
 - Balancing Equipment Utilization
 - Evaluating Fleet Size
 - Strategic Deployment of Human Resources (Load Leveling)
 - 2013/2014 Snow Plan
 - Creates Approximately \$1M in Cost Reductions



New Snow Plan Starting Winter 2013



“Right Place...Right Time”

Why the Change?

- **Funding Challenges**
 - **Gas Tax**
 - **Funds Road Maintenance**
 - **Property Taxes**
 - **Do Not Fund Road Maintenance**

Goals:

- **Reduce Costs by 25% on Current Snow Operation Expenditures**
 - **From \$2 Million to \$1.5 Million**
 - **\$500K Per Year Cost Reduction**
- **Foster More Strategic Snow Removal Operations on County Roads**

The #1 Question...and the Answer

- **Question: Will All County Roads Still Be Plowed?**
- **Answer: Yes...All Roads that are Maintained by the County will Still be Plowed**

What Changes?

- Snow Removal Philosophy
 - Was: **“Catch a Flake”**
 - Is: **“Right Place...Right Time”**
- Deployment Factors:
 - Plowable Amount
 - Seasonal Factors
 - Where’s the Snow?

What Changes?

- Hours of Snow Removal
 - Two Back-to-Back 10-Hour Shifts (2AM-Noon & Noon-10PM)
 - No Snow Removal Between 10PM & 2AM
- Plowing Frequency – Priority Roads
 - Major Collector and Arterial Roads Are Still Our Priority at a Plowable Amount
- Plowing Frequency- Local Roads
 - Plowed Six to 12 Hours Later Than Before

Priority Road Examples

- Lake Mary Road (FH3)
- Townsend/Winona Road
- Leupp Road
- Route 66 (West of Flagstaff & in Parks)
- Main Roads in Kachina Village, Mountaineer, and Pinewood

What Changes?

- **Cul-de-Sacs**
 - **Plowed Only Once Per Storm**
- **Clean-Up Operations**
 - **Conducted After A Snow *Storm* Instead of After a Snow *Event* (Additional Berms Possible)**

Other Changes

- **Townsend/Winona Will be Cindered**
 - **No More Road Salt**
- **Evaluating Closure of Lake Mary Road/FH3 Near Overlook**
 - **Early December to Late March**

What Stays the Same?

- **Snow Patrol**
- **Resources Utilized:**
 - **National Weather Service (NWS)**
 - **Satellite & Radar Imagery**



Questions?



Strategies for Addressing the Transportation Financial Issue

Overview

Two Overall Strategies:

- **Reduce Service Levels to Match Revenues**
- **Develop Potential Revenue Opportunities**



Strategy for Addressing Transportation Financial Issue

Reduce Service Levels to Match Revenues

Introduction

- **Public Works Estimates that a 35% to 40% Reduction in Road Maintenance Service Levels is Needed to Stay Within the Current Level of Funding**
- **In Addition, There Would be No Funding for Capital Projects Except Grant Funded Projects**
- **Revenues will Generally Decline Over the Long Term Due to Reduction in Gasoline Sales Reflecting More Efficient Vehicles**
- **Rate of Cost Growth Exceeds Rate of Revenue Growth**
- **Last Two Items Equal Further Service Level Reductions Over the Long Term**

Reduce Service Levels

- Assumptions:
- No New Revenue
 - 35% Expenditure Reductions from Current Reduced Costs
 - 40% Vacancy Rate Would be Required
 - Equipment Replacement Only Upon Failure
 - Defer All Capital Investment Except Grant Funded Projects

Reduce Service Level - Snow Plowing Service Level

SERVICES REDUCED IN ADDITION TO 2013/2014 SNOW PLAN

- Plow and cinder some roads after a storm has passed
- Only plow and cinder during daylight hours – 7am to 4pm
- Concentrate on priority roads
- Local roads and cul de sacs will not see service often
- Snow packed roads will be the rule – potholes and ruts
- Close very low ADT roads or roads with alternate routes
- Traffic delays will be normal
- Commute times will be increased
- Road speeds may be reduced for safety reasons
- Chains or 4 wheel drive will be advisable or required on some roads

Reduce Service Level - Paved Roads

- Potholes, cross-road cracks and 'alligatoring' will be extensive
- The freeze/thaw cycle will deteriorate roads faster
- Shoulder maintenance will be eliminated
- Shoulder drop offs will contribute to unsafe conditions, road deterioration & create potential liability issues
- Some paved roads will be returned to dirt/gravel
- Road striping will fade
- Will only maintain cross-road culverts – no parallel ditches
- Drainage issues will damage roads
- Road failures more prevalent
- Property values may decline relative to local road condition

Reduce Service Levels - Dirt/Gravel Roads

- Potholes, washboards and large protruding rocks will litter the surfaces
- As road surface material degrades, roads will become more powdery and dusty
- Dust complaints in neighborhoods will increase
- Re-surfacing frequency extended from 7 to 14 years
- Some USFS roads will see grading significantly reduced grading – one time per year
- Will only maintain cross-road culverts – no parallel ditches
- Drainage issues will damage roads
- Road failures more prevalent
- 4 wheel drive vehicles may be advisable
- Property values may decline relative to local road condition

Reduce Service Levels

Traffic Issues

- Speed Limits on Paved and Dirt/Gravel Roads Will be Reduced for Safety
- Increased Traffic Delays
- Increased Commute Times
- Increased Vehicle Maintenance Costs
- Accident Frequency Could Increase

Some Specific Examples – Dirt Roads

Road Blading Current Level Based on Recent 3-Year Average

Road Name	Average Times Graded Per Year	New Service Level Per Year	ADT
Hutton Ranch Road	29	17	499
Snow Bowl Road South	8	5	226
Stoneman Lake Road	36	21	448
Garland Prairie Road	51	31	582
Pronghorn Ranch Road	30	18	162

** As dirt Roads, General Speed Limit Ranges Between 25-35 MPH
– Speed Limits Will be Reduced*

No Pavement Maintenance Projects

Some Projects Cancelled or Significantly Delayed :

- Pinewood Blvd: I-17 to Munds Wash Bridge
- Munds Wash Bridge
- Townsend-Winona: Rio Rancho to I-40
- Kachina Trails: “T” Intersection to Pumphouse Wash Bridge
- Lake Mary Road (FLAP Process)
- Rt. 66 Bridge Replacement – Bellemont
- Leupp Road
- Double A Ranch Road
- Flagstaff Meadows Unit 1

Overall Chip Seal Plan Cut by 40%

Transition Options May be Applicable in Some Cases

- Abandon or Transfer County Roads to Private Property Owners, Road Districts or Road Associations
- Move U.S. Forest Service Special Use Permits to Private Property Owners or Road Districts or Road Associations

Transition Options May be Applicable in Some Cases

- **Special Districts:**
 - **County Road Districts – Improve to County Road Standard then County Maintains = Higher County Road Maintenance Costs**
 - **Road Maintenance Districts – Improve to State Fire Code & Then District Maintains = Lower County Road Maintenance Costs (If Maintained by the County Now)**
 - **Community Facility Districts – New Developments Only**

Limited Applications – Won't Solve Issue



Questions



Strategy for Addressing Transportation Financial Issue

Development of Potential Revenue Opportunities

Potential Revenue Opportunities

- **Transaction, Use or Impact Fees**
- **Grants**
- **Existing Taxation Authority**
 - **Uses Available for Road Maintenance from 2007 Financial Planning Discussions**
 - **Property Tax Override**
 - **Capital Projects Sales Tax**
 - **General Obligation Bonds**
 - **County Transportation Sales Tax**

Potential Revenue Opportunities

■ **Possible Use Fees**

- None Exist Now
- State Legislation Required to Establish
- Level of Funding Likely Limited in Relationship to Funding Needs
- Examples:
 - AZ Game & Fish
 - Recreation Uses
 - Impact Fees for Development – New Development Only
- Also Looked At By Other Service Providers, e.g. Sheriff and Search and Rescue
- Still Controlled by State and Thus Less Reliable = One-Time Funding

Potential Revenue Opportunities

- **Grants:**
 - **Moving Ahead for Progress 21 (MAP 21)**
 - **Federal Lands Access Program (FLAP)**
 - **Northern Arizona Council of Governments (NACOG) & Flagstaff Metropolitan Planning Organization (FMPO)**

Potential Revenue Opportunities

Grants:

- **Historically Successful in Securing Grant Revenues**
 - **Average Grant Revenues = \$1.4 Million/Yr. Over the Past 10 Years**
- **Grants are Not Reliable Alternative for Addressing Operational or Capital Structural Deficits**
- **Grant Funds are Generally One-Time, Highly Competitive, and for Capital Improvements Only**
- **Will Continue to Identify and Pursue Grant Revenues Moving Forward through Federal MAP-21 Programs and Other Sources**

Potential Revenue Opportunities

- **Property Tax Override**
 - **Must be Approved by Public Vote in a November General Election**
 - **Must be Renewed Every 7 Years by Public Vote**
 - **Capped at 10% of the Primary Property Tax Levy**
 - **Could Generate Approximately \$800,000 Per Year**
 - **Funds Would be Unrestricted so Could be Used for Multiple Purposes**

Potential Revenue Opportunities

Other Possible Implications – Property Tax Override

- **Local Control of Revenue Source**
- **Smaller Percentage of Road Users Would Contribute to Revenues**
 - **Only County Property Owners Would Pay Tax**
- **Has Defined Sunset**
 - **Voter Approval Required Every 7 Years**
- **Significant Costs for Election and Communications Effort with Limited Revenue Generated**
- **Must Have Capacity in Expenditure Limit to Expend New Revenue**

Potential Revenue Opportunities

- **Capital Projects Sales Tax**
 - Voter Approved Sales Tax Authorizing Funding for Specific Projects
 - Example = County Parks and Open Space (CPOS)
 - Funding Amount Based on Estimated Costs for Specific Projects
 - Funding Only Available for Capital
 - Does Not Include Funding for Ongoing Operations or Maintenance
 - Significant Costs for Election and Communications Effort but Significant Revenue Generated

Potential Revenue Opportunities

- **General Obligation Bonds**
 - **Not a Revenue Option But a Financing Mechanism**
 - **Public Debt Approved by Public Vote**
 - **Must Have Dedicated Revenue Source to Cover Debt Service & Backed by Property Taxes**
 - **Must be in November General Election – Even Years**
 - **Revenue Amounts Dependent on Purpose**
 - **Can Bond for Up to 15% of Secondary Assessed Value**
 - **Approximately \$264 Million**

Potential Revenue Opportunities

General Obligation Bonds

- **Term Tied to Revenue Source**
- **Significant Bond and Interest Costs**
- **Can Pledge Over Revenues but Backed by County Property Owners**

Potential Revenue Opportunities

County Transportation Sales Tax

- Up to ½ Cent Sales Tax via Ballot Proposition
- Estimated County-Wide Revenues Could be Up To \$12 Million Per Year
- Funding Available for Operations and Capital
- County Board of Supervisors Governs Use of the Funds
 - Optionally the Board Could Create a Regional Transportation Authority (RTA)
 - RTAs Add Level of Bureaucracy & Historically Unsuccessful

Potential Revenue Opportunities

County Transportation Sales Tax

- Local Control of Revenue Source
- Significant Component Paid for by Non-County Residents
- Longer-Term Funding Source
- Subject to Economic Fluctuations
- Significant Cost for Election and Communications Effort but revenue is significant

Key Decisions Relative to Transportation Sales Tax

If Board Elects to Pursue a County Transportation Sales Tax, Then Key Decisions will Involve:

- **Level of Sales Tax – ½ Cent Maximum**
- **Term or Duration of the Sales Tax**
- **When to Place on the Ballot – Potential Coordination with City of Flagstaff Transportation Tax Initiatives**

Decision Timeline

Election Date Options:

- **May 20, 2014 – Can be Joint Election with the City of Flagstaff; Regional Plan Only Item on Ballot**
- **August 2014 – County Only Election; Governor Primary; Gubernatorial and Congressional Primary Elections**
- **November 2014 – Can be Joint Election with the City of Flagstaff - City Council & Tax Initiative Elections; Congressional & Governor Elections, State Initiatives; Superior Court Judges; Navajo Nation Presidential**

Summary of Potential Revenue Opportunities

Revenue Opportunity	Possible Revenue Amount	Recurring or One-Time?	Results in Public Debt?	Funds Operations and Maintenance, or Capital?	Local Control?	Funded by County Property Owners or by All Sales Tax Payers?	Public Vote Required?	Defined Sunset?
Transaction, Use, or Impact Fees	Unknown: Minimal with Respect to Need	Recurring	No	Both	No: State Action Required	Individual Permittees	No	Defined by State Legislature
Grants	Unknown: Average of \$1.4 Million/Yr Secured over Last 10 Years	One-Time	No	Capital Only	No	Matching Funds Provided by County	No	Defined by Grant Term
Property Tax Override	Approximately \$800,000/Yr	Recurring	No	Both	Yes	County Property Owners	Yes	7 Years
Capital Projects Sales Tax	Unknown: Tied to Specific Capital Projects	One-Time	No	Capital only	Yes	All Sales Tax Payers	Yes	Once Total Amount Collected
General Obligation Bonds	Approximately \$264 Million	One-Time	Yes	Capital Only	Yes	County Property Owners	Yes	Once Debt Service is Paid in Full
County Transportation Sales Tax	Approximately \$12 Million/Yr	Recurring	No	Both	Yes	All Sales Tax Payers	Yes	Approved by Voters (Generally 15 to 30 Years)

Summary of Potential Revenue Opportunities

- Revenue Opportunities Distinguished by the Ability to Fund Operations as Well as Capital
- These Revenue Opportunities Provide Greater Local Control
- All Major Revenue Opportunities Involve Voter Approval

***Only Revenue Option that Can Address Financial Issue
Without Serious Cuts in Service Levels is the
County Transportation Sales Tax***

Key Takeaways

- Current Level of Service is Not Sustainable
- Further Expenditure Reductions Required to Match On-Going Revenues
 - 40% Reductions in Addition to Efficiency Improvements
 - Result is Dramatic Reductions to Service
- Revenue Options Limited
- County-Wide Transportation Sales Tax Addresses O&M and Capital Deficits

Questions



Overall Takeaways

- **Information Provided Over Past Four Meetings Lays Out Critical Nature of the Transportation Funding Issue**
- **Very Difficult Decisions Lie Ahead; No Single, Simple Solution**
- **Taxpayers' \$100 Million Asset at Serious Risk**
- **But Clear that Without Additional, Significant Revenue, Drastic Cuts to Service Must be Implemented to Maintain County's Overall Financial Stability**



Discussion